**HUGO BOSS**

**Full Year 2022 Results**

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The spoken word shall prevail.

**Christian Stöhr:** Good morning everyone and welcome to our full year 2022 financial results presentation. Today’s conference call will be hosted by Daniel Grieder, CEO of HUGO BOSS, as well as Yves Müller, CFO and COO. Before I hand over to Daniel, allow me to remind you that – just like in the past – all revenue-related growth rates will be discussed on a currency-adjusted basis. And I would also like to remind you that during the Q&A session, we kindly ask you to limit your questions to a maximum of two. So, let’s get started and over to you, Daniel.

**Daniel Grieder:** Thank you, Christian, and good morning everyone. Thanks for joining our call today. Today’s conference call is quite a special one. It’s special because we look back at the first full year of successfully executing our “CLAIM 5” strategy. And it’s special because in 2022 we achieved record sales and exceeded the 3 billion euro mark for the first time in our Company history.

Today’s presentation will therefore focus on the strong progress we have made when it comes to executing “CLAIM 5.” In the next 20 minutes, I will look back at many of our strategic initiatives that contributed to the success of HUGO BOSS in the last year. And I will also touch on some current and upcoming initiatives that will support our momentum going forward. Afterwards, Yves will present to you all the details when it comes to our excellent financial performance in 2022 and walk you through our outlook for the current year. So let’s get right to the point!

As we told you in August 2021, “CLAIM 5” is a strategy that is fully focused on today’s consumer. Our clear goal is to anchor our position in consumers’ minds and significantly boost brand relevance, particularly among millennials for BOSS and Gen Z for HUGO. And it’s a strategy, that makes our Company stronger and more resilient than ever before, as we exploit our many growth opportunities in a determined yet sustainable manner!

Already today, only 18 months later, we can clearly say that we have introduced the right strategy at the right time. Our strong comeback is clear testament to the power and strength of “CLAIM 5.” It enables us to unlock the full potential of HUGO BOSS. Thanks to our powerful
and rigorous execution, we have achieved significant progress within a short period of time and made a real kick start. In doing so, 2022 marks an extremely successful year and the first important milestone along our 2025 growth journey.

Above all, our bold brand refresh initiated in January 2022 impressively fueled brand power of BOSS and HUGO, enabling us to successfully expand market share all around the globe. This led to record sales for HUGO BOSS of 3.7 billion euros in 2022. Most importantly, and fully in line with “CLAIM 5,” our momentum was broad-based: we increased sales noticeably across both brands, all regions, and all consumer touchpoints. And it was coupled with significant profitability improvements, with EBIT mounting up to a strong level of 335 million euros, corresponding to an EBIT margin of 9.2%. Let me therefore walk you through our key strategic highlights, starting with a closer look at our brands.

In 2022, we ushered in a whole new era with our highly successful brand refresh. Thanks to the launch of our record-breaking campaigns, we quickly and strongly boosted brand power, putting BOSS and HUGO into the spotlight more than ever before. And thanks to our fantastic international and diverse all-star cast, we created huge excitement on social media, attracting consumers from all over the world. This has led to staggering brand momentum, with more than 50 billion views, and almost 2 billion engagements. Most importantly, BOSS and HUGO now have a new, modern brand identity, focused on a younger and more global demographic.

In light of our brands’ new image and supported by numerous spectacular fashion events, we kept up the pace throughout the year. To name only a few of my personal highlights: for BOSS, we hosted unique fashion events in the Dubai desert and at the Milan Fashion Week, while also celebrating strong comebacks at Formula 1 as the official partner of Aston Martin, and on the slopes of the legendary Hahnenkamm Races. At the same time, we rode the festival wave in Palm Springs with HUGO and generated additional excitement in Milan.

And I am pleased to report that our brand investments have yielded strong results: in 2022, our brands managed to outgrow all relevant competitors on social media. With around 15 million new followers, BOSS was by far the fastest-growing premium apparel brand on Instagram. And HUGO left all other brands far behind on TikTok, underpinned by an extremely strong increase in follower growth of 900%. On top of that, we also outperformed key competitors in terms of engagement rates – up triple digits for both our brands. This is strong evidence for our surge in brand heat and our increased relevance among younger consumers.
Equally, if not more importantly, both our brands recorded significant double-digit sales increases in 2022. Driven by the successful brand refresh, our BOSS Menswear business grew a strong 27%, while our BOSS Womenswear business was up 21% year on year. HUGO was in no way behind, also recording significant sales increases of 27%. What strikes me most is the fact that growth was well balanced, with double-digit improvements across all wearing occasions – from formalwear to casualwear to shoes as well as accessories. This, in turn, means that we have been able to make strong strides towards our goal of being a true 24/7 lifestyle brand.

Following all these brand successes in the past year, we are fully committed to keep up the hype also in 2023. And without spoiling too much, let me be clear in saying that we have a lot of exciting initiatives in the pipeline to further fuel brand relevance over the next couple of quarters.

Only a few of weeks ago, we launched our latest global campaigns for Spring/Summer 2023, including superstars such as Naomi Campbell, Gigi Hadid, Lee Min-ho, and Bella Poarch. And I can assure you that also these campaigns are performing already extremely well! We continue to dominate social media, with 5 billion social media impressions in only 6 weeks clearly speaking for themselves!

But that's not all: to keep momentum going, already next week, on March 15, BOSS will host a spectacular ‘see now buy now’ event in Miami. So stay tuned...

With our strong and diverse product mix, already today we fully live up to our promise to dress customers from head to toe, and for every occasion – no matter what they do, no matter when. Our new Spring/Summer collections are once more fully embodying our new and unique ‘look and feel’ as well as our superior price-value proposition. The very positive response to our new brand identity has led to strong improvements in full-price sales in 2022 and ongoing high demand from wholesale partners and customers alike.

With the successful relaunch of BOSS Black, Orange, and Green and the introduction of the exclusive BOSS Camel line, we are perfectly positioned to leverage our brand’s huge potential in the years to come. HUGO, the first touchpoint for younger consumers, will seamlessly follow on, as we continue to grasp opportunities across various important product categories – including denim, jersey, and outerwear.

In order to fuel excitement and brand heat, we continue to team up with inspiring personalities and strong brands. To give you some examples: in 2022, we teamed up with our brand ambassadors Khaby Lame, Matteo Berrettini, and Alica Schmidt, launching several
capsule collections that were a true celebration of co-creation and style! And in January this year, we continued seamlessly, as BOSS collaborated for an exclusive collection with up-and-coming skiwear brand Perfect Moment. Most recently, we also unveiled our latest collection co-created with Porsche that was presented by Columbian superstar Maluma.

Also HUGO celebrated huge success last year. Together with Japanese streetwear brand Mr. Bathing Ape and Italian denim specialist Replay, HUGO had Gen Z buzzing all year long!

Importantly, in today's world collaborations also span into the digital world. On that, I am excited that HUGO entered the Metaverse with a bang last year, launching its first ever NFT collection, entitled 'Embrace Your Emotions.'

Our efforts in the Metaverse are clearly just one example of how we want to become THE leading premium tech-driven fashion platform worldwide. To “Lead in Digital,” we will continue to digitalize all our business activities and maintain a strong focus on leveraging the power of data.

Our HUGO BOSS Digital Campus is at the core of our digital journey. One of its top priorities is to maximize the use of data analytics going forward. The campus is meanwhile fully operational and will be a key enabler to make us smarter, faster, and more efficient. This includes initiatives such as reducing collection complexity or implementing smart pricing, all aimed at enhancing operational efficiency. And not to forget: with the help of our Digital Campus, we will also link digital and physical commerce even more closely in the years to come, to offer our customers a best-in-class omnichannel experience.

Speaking about omnichannel: in 2022, we made great strides when it comes to rebalancing our distribution footprint and creating a best-in-class consumer experience.

This includes the successful relaunch of our digital flagship hugoboss.com in early 2022, but also the most recent upgrade of the HUGO BOSS app. Our new app strongly enhances the mobile shopping experience, as it offers our customers several new functionalities, such as a try-on function for sneakers, convenient live chat capabilities, as well as the seamless integration of all our CRM functionalities.

Whether in the virtual or real world, we always pursue one goal as part of our omnichannel strategy: transferring our regained brand power to all consumer touchpoints. The modernization of our global store network was therefore a clear priority in 2022. Customers
HUGO BOSS

can now experience our brand refresh, together with our innovative retail concepts, at over 200 points of sale worldwide.

Our new BOSS flagship store on London’s vibrant Oxford Street – which many of you had the pleasure of exploring firsthand last year – is of particular note in that regard. Another good example is our BOSS store on Regent Street, which we re-opened only a few weeks ago: it is further proof that we are taking the retail experience to the next level – brand-led, consumer-centric, and digital – all in one!

Most importantly, we are very pleased with the performance of our new store concept: the improved customer experience has led to a higher level of full-price sales, as well as strong improvements in store productivity – up a strong 29% to a level of nearly 12,000 euros per square meter.

Therefore, we will continue to push ahead with the rollout across key markets. This year alone, we plan to refurbish around 100 existing points of sale to fully reflect the brand refresh and our latest store concepts. This includes, among others, our BOSS stores on Amsterdam’s Leidsestraat and at Dubai Mall.

To conclude on our channels, we also celebrated an extremely successful comeback in brick-and-mortar wholesale with revenues up 33% in 2022. Thanks to our 24/7 lifestyle positioning and continued robust demand from wholesale partners for our collections, we significantly improved the visibility of our brands. This enabled us to successfully expand market shares at key wholesale doors.

And I am pleased to report that the robust momentum in wholesale is set to continue, as we look back at successful order intakes for the current Spring/Summer and the upcoming Fall season.

Speaking about our collections: as you know, at the heart of “CLAIM 5” is our unwavering commitment to sustainability. We will not rest, but continue to drive innovation and sustainability to deliver measurable impact for our industry, the environment, and society.

And we are encouraged by the fact that our efforts are also being recognized externally. In late 2022, HUGO BOSS was included in the important ‘Dow Jones Sustainability Index World’ for the sixth time in a row – with the second-best overall score in our industry. On top of that, HUGO BOSS was named Green Ranking Champion, as it scored best among the 50 German MDAX companies.
HUGO BOSS

As part of our ongoing commitment to sustainability, we are about to implement a circular business model. Only recently, we successfully launched the first BOSS polo shirt which is largely made from the innovative and fully recyclable AeoniQ yarn. And while this is just one example of how we aim to lead change in the fashion industry, it clearly shows where we’re headed for a better future.

Ladies and gentlemen, as you can see, in 2022 we have made a true kick start when it comes to executing our “CLAIM 5” strategy. Of course this is just the beginning with many more initiatives and projects in the pipeline, all contributing to another successful year in 2023. Before speaking about our plans for the current year, however, let me now hand you over to Yves, who will talk you through our excellent financial performance in 2022. Yves, over to you!

Yves Müller: Thank you, Daniel, and good morning, ladies and gentlemen. Also from my side, a warm welcome to all of you. In the next 20 minutes, I will guide you through our 2022 operational and financial performance as well as our expectations for full year 2023.

So let’s start with a closer look at our top- and bottom-line performance in the last year. Thanks to the relentless execution of “CLAIM 5,” revenues increased a strong 27% year on year to 3.7 billion euros, which means nothing more than record sales for our Company. Compared to pre-pandemic levels, this represents an increase of 26%.

Equally important, we recorded significant bottom-line improvements as the strong top-line performance more than compensated for ongoing investments as part of “CLAIM 5.” Overall, EBIT increased a strong 47% to an amount of 335 million euros, leading to an EBIT margin improvement of 100 basis points to a level of 9.2%.

Supported by our stellar performance in the final quarter of the year, we ultimately exceeded our full year 2022 targets, which we had revised upwards twice. This is all the more remarkable considering the high level of macroeconomic and geopolitical uncertainties in 2022, including global supply chain disruptions, the implications of the war in the Ukraine, and pandemic-related restrictions in China.

Let’s therefore take a closer look at our top-line performance. With Q4 revenues up 15% year on year and 29% versus pre-pandemic levels, we finished 2022 on a high, as top-line momentum accelerated throughout the year.

I was particularly pleased to see that growth throughout the year was high quality in nature, as we were able to significantly increase full-price sales, thereby compensating for external...
headwinds. And, not to forget, growth was broad-based in nature, with both our brands, all regions, and all channels contributing.

From a regional perspective, momentum was particularly robust in EMEA and in the Americas, fueled by the successful execution of “CLAIM 5” and robust consumer sentiment.

In EMEA, revenues were up 32%, spurred by double-digit improvements in the UK, France, and Germany, as well as an exceptionally strong performance in the Middle East. Across EMEA, we enjoyed very robust business with both local consumers as well as international tourists driving the overall momentum.

Momentum was equally strong in the Americas. We achieved revenue growth of 29%, with all our markets recording strong double-digit improvements. This also includes the important U.S. market, where we successfully fostered our 24/7 brand image across consumer touchpoints.

Sales in Asia/Pacific grew 6%, as significant double-digit improvements in South East Asia & Pacific were mostly offset by pandemic-related sales declines in mainland China. In this context, let me also emphasize that we are quite encouraged by the most recent recovery in China following the re-opening of borders and relaxation of COVID-19 restrictions. In particular, we look back at a very successful Chinese New Year, with our business in mainland China being up double-digits year on year. We therefore have every reason to be confident and optimistic when it comes to the market’s overall recovery in 2023. At the same time, we remain somewhat vigilant, as the timing and pace of recovery remains uncertain for the time being.

Let’s conclude on our top line with a quick review of the performance by channel, as all consumer touchpoints recorded double-digit growth in 2022. Sales in brick-and-mortar retail grew a strong 29% supported by double-digit improvements in store productivity, with the latter mounting up to a level of almost 12,000 euros per square meter.

Brick-and-mortar wholesale revenues grew 33%, fueled by our partners’ strong demand for both our brands’ collections. In achieving this, BOSS and HUGO were able to significantly improve market presence at key wholesale partners.

And lastly, our digital business grew by a robust 15%, despite a rather difficult market environment in the digital sector and despite being up against a particularly tough comparison base. This reflects both a double-digit revenue increase at hugoboss.com as well
as strong improvements in digital partner revenues. With this, let’s now move on to the remaining P&L items.

At 61.8%, and on par with the prior-year level, our gross margin came in at the upper end of our mid-term target corridor of between 60 and 62%.

As you are all aware of, there were several external factors that weighed heavily on our gross margin in 2022, including the final quarter of the year. This mainly relates to significantly elevated sourcing and freight cost levels, as well as unfavorable currency movements. On top of that, we also recorded some negative channel mix effects.

I am therefore all the more encouraged that we were able to fully offset all these factors thanks to our high-quality top-line growth, underpinned by strong improvements in full-price sales. And make no mistake: also in the fourth quarter, the underlying momentum in our full-price business was just as strong as it was during the first nine months of the year, with no signs of a slowdown in Q4. In particular, promotional activity at HUGO BOSS was well below the prior-year level, as we managed to reduce total price reductions in 2022 by a low to mid-single-digit percentage rate.

To conclude on the gross margin, towards the end of the year we also recorded a first positive impact from our pricing initiative aimed at compensating for the ongoing high level of global inflation.

Moving over to operating expenses, which increased 29% driven by our well-flagged, ongoing investments into the business as part of "CLAIM 5."

This first and foremost includes our step-up in marketing investments, up 41% year on year to a level of around 8% of Group sales, as well as our commitment to further invest in digital, with digital investments up 15% in 2022. The latter reflects important strategic initiatives such as the build-up of our Digital Campus, the successful relaunch of hugoboss.com or the global rollout of our latest series of digital showrooms.

Overall, and supported by the strong top-line development, we brought our operating expenses down by 100 basis points to a level of 52.6% of sales, thus well below pre-pandemic levels. This development was first and foremost driven by strong efficiency gains in brick-and-mortar retail, down 110 basis points year on year and 370 basis points as compared to 2019.
Finally, and as mentioned earlier, this translated into a strong 47% increase in EBIT, and 53% increase in net income attributable to shareholders. In this context, a higher level of net financial expenses, mainly reflecting the unfavorable development of the Russian Ruble and some other currencies, was offset by positive one-off effects within taxes – including the usage of tax losses carried forward in light of our strong top-line momentum.

Let’s now turn to the balance sheet. Starting with inventories, which increased 58% currency-adjusted.

In this context, and as flagged already at the beginning of November, we intentionally increased our inventory coverage over the course of 2022 to mitigate supply chain risks as best as possible and to ensure product availability for upcoming seasons. Importantly, the vast majority of the intentional build-up is related to current and upcoming collections as well as core merchandise that can be sold over several future seasons. And while higher goods in transit contributed to the development, please also bear in mind that our overall inventory position has been comparatively low in recent years.

Now, following the easing of global supply chain disruptions, we have implemented several measures to reduce inflows of core merchandise going forward, as it is our clear ambition to bring down inventories as a percentage of sales. Against this backdrop, we anticipate a gradual normalization of inventories in the course of the year. On that, let me also reiterate once again: we remain very comfortable with the overall composition and quality of our inventories, in particular as the aging structure has further improved year over year.

This brings me to trade net working capital, with the moving average of the last four quarters adding up to 15% of Group sales, well below the prior-year level and somewhat lower than our mid-term target range of between 16% and 19%. This development mainly reflects the significant top-line growth in 2022 as well as a currency-adjusted 31% increase in trade payables, thereby more than compensating for the higher inventory position.

Moving now over to free cash flow, which amounted to 166 million euros, as improvements in EBIT were more than offset by the intentional increase in inventories as well as higher CapEx, adding up to 191 million euros. The latter aim at supporting the successful execution of "CLAIM 5." In particular, we accelerated our investments in brick-and-mortar retail as we opened 38 new freestanding stores in 2022, while we also remodeled more than 100 points of sale to reflect our brands’ new ‘look and feel.’

Importantly, regarding our target of generating cumulative free cash flow of 2 billion euros by 2025, we remain fully on track, given last year’s record level of free cash flow, and our
confidence to be able to strongly re-accelerate cash flow generation starting this year already.

Last but not least, and excluding the impact of IFRS 16, our net financial position reached a strong level of 38 million euros at the end of 2022. This in turn means that – just like in the prior year – we were not only debt-free, but effectively “cash rich” at year-end, providing us with a strong foundation and further flexibility when it comes to investing in the years to come.

In view of the outstanding operational performance in 2022, our very robust financial stance, and our confidence in the continued success of “CLAIM 5,” we will propose a dividend of 100 euro per share for fiscal year 2022. This represents a payout ratio of 33%, fully in line with our target payout range of 30% to 50%.

Ladies and gentlemen, let’s now move over to our expectations for the current fiscal year. A year, that is set to be a further important milestone in achieving our 2025 financial ambition.

At the same time, however, we must not ignore the fact that current macroeconomic and geopolitical uncertainties will remain elevated for the time being. This will inevitably weigh on industry growth in 2023. Nevertheless, at HUGO BOSS, we are fully committed to maintaining our robust top-line momentum. By building on our superior brand power gained in 2022, we once more aim for outperforming our industry and capturing further market shares.

In this context, the determined and relentless execution of “CLAIM 5” will once again take center stage. Also this year, our many initiatives will focus on winning over the consumer through impressive marketing campaigns, exciting brand events, and inspiring collections. We will continue to invest into brand-building activities and our product offering to further drive brand relevance and strengthen the 24/7 lifestyle images of BOSS and HUGO. In addition, we will push ahead with the digitalization of our business model and make further progress in expanding our omnichannel activities, including the modernization of our global store network.

Our initiatives will provide further stimulus and ensure we are fostering our top-line momentum, thereby taking a further important step towards our 2025 sales target of 4 billion euros. At the same time, we will continue to put strong emphasis on realizing efficiency gains
also in 2023, particularly via the ongoing optimization of our global store network. This will allow us to make further progress also this year towards our 2025 EBIT margin target of 12%.

So, let’s take a closer look at our outlook for fiscal year 2023. Starting with our top-line ambition, where we expect Group sales in 2023 to increase at a mid-single-digit percentage rate to an amount of between 3.8 and 3.9 billion euros. Importantly, and similar to last year, we expect growth to again be broad-based in nature, as we aim to increase revenues across both brands, all regions, and all channels also this year.

On that note, I am very pleased to report that we recorded a highly encouraging start to the year, with robust momentum around the globe and no signs of a broader slowdown in consumer demand.

This brings me to our bottom-line expectations, as we forecast EBIT to increase within a range of 5% and 12%, to a level of between 350 and 375 million euros in fiscal year 2023.

This development will be driven by the anticipated mid-single-digit top-line growth, an at least stable gross margin development, as well as ongoing initiatives to realize further efficiency gains, in particular when it comes to brick-and-mortar retail. The latter will help us compensate for further investments planned for 2023 as part of “CLAIM 5.”

Ladies and gentlemen, this concludes my part of today’s presentation. I am now very happy to hand you back over to Daniel for some closing remarks before opening the floor to your questions.

Daniel Grieder: Thank you, Yves. Ladies and gentlemen, 2022 was without doubt a huge success for HUGO BOSS in many respects! Despite all these strong achievements, however, we must not forget that the past year was anything but normal and has significantly changed the lives of many people around the globe. In particular, the devastating war in the Ukraine has led to immense hardship for many, while also the ongoing implications of the pandemic as well as high global inflation have challenged people’s life and companies alike. Given all these challenges, our strong performance in 2022 is all the more remarkable.

And while macroeconomic uncertainties are likely to remain high also this year, we are fully committed to making further progress towards our 2025 financial ambition. At HUGO BOSS, we are all set for future top- and bottom-line growth. The rigorous execution of “CLAIM 5” will continue to take center stage and we will not rest. Instead, we will further drive our strong brand power to maintain our robust momentum.
Together as a team, we will continue, with all our power and all our passion, towards our ambition: to ultimately become one of the top 100 global brands. Thanks to our excellent team and our winning formula “CLAIM 5,” I have every confidence that 2023 will be another successful year for HUGO BOSS!